



# Annual Final Budget [EC442]

Prepared in terms of the Local Government: Municipal Finance Management Act (56/2003): Municipal Budget and Reporting Regulations, Government Gazette 32141, 17 May 2009.

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## Glossary

**Annual Budget** – means an approved budget for one year. It does not include published forward estimates or projections for period beyond the budget period.

**Adjustments Budget** – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

**Allocations** – Money received from Provincial or National Government or other municipalities.

**AFS**- Annual Financial Statements

**Assessment Rates** - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed ratable value is multiplied by the rate in the rand.

**Budget** – The financial plan of the Municipality.

**Budget Related Policy** – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

**Capital Expenditure** - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

**CRR** – Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

**Cash Flow Statement** – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**CFO** - Chief Financial Officer

**DORA** – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

**Equitable Share** – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**EPWP** – Expanded Public works.

**Fruitless and wasteful expenditure** – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GIS** – Geographic Information System.

**GFS** – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GRAP** – Generally Recognized Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

**IDP** – Integrated Development Plan. The main strategic planning document of the Municipality

**KPI's** – Key Performance Indicators. Measures of service output and/or outcome.

**MEC** – Minister in Executive Committee (Province).

**MFMA** – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

**MTREF** – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

**MPAC** – Municipal Public Accounts Committee.

**NERSA** – National Electricity Regulator of South Africa.

**NT** – National Treasury.

**PT** – Provincial Treasury

**DM** – District Municipality

**NDPG** – Neighbourhood Development Framework Grant.

**Net Assets** – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

**Operating Expenditure** – Spending on the day to day expenses of the Municipality such as salaries and wages.

**R&M** – Repairs and maintenance on property, plant and equipment.

**SDBIP** – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates

**Strategic Objectives** – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

**SCM** – Supply Chain Management.

**Unauthorised expenditure** – Generally, **is spending** without, or in excess of, an approved budget.

**Virement** – A transfer of budget.

**Virement Policy** - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

**Vote** – One of the main segments into which a budget is divided. In Umzimvubu Municipality this means at department level.

## **PART 1 - BUDGET SPEECH DELIVERED BY THE HONOURABLE MAYOR COUNCILLOR SK MNUKWA TO THE ORDINARY COUNCIL MEETING HELD AT KWABHACA ON 31 MAY 2018.**

Madam Speaker  
Executive Committee Members  
Chief Whip and whippers  
Councillors  
Traditional Leaders  
Municipal Manager and Senior Management  
Officials present  
Fellow Residents  
Media Houses and public present  
Compatriots and friends  
Ladies and Gentlemen

Good Morning, Molweni, Dumelang!!!

Let me thank this opportunity afforded to me to present the developed Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and Budget for 2019/20 financial year after consultation processes were undertaken with our communities and internal stakeholders, we really thank our communities for their cooperation and participation. The views of the people are much appreciated as they play a critical role in assisting us to come up with informed and people centred IDP and budget. This budget with our plans for the coming financial year are tabled two weeks after the successful fifth general elections of the democratic South Africa. The renewed mandate given to the African National Congress by the people of South Africa inclusive of Umzimvubu constituencies under the leadership of President Ramaphosa re-affirms the primary message that we are echoing of “**Thuma Mina**”.

President Ramaphosa during his address on the occasion of the President’s Inauguration, consistently ordered all of us to uphold the values of clean governance, anti-corruption, high ethical conduct and commitment towards growing economic opportunities and offering services to our people that are accessible and sustainable. I wish to reveal that indeed, we are ready to continue rendering services to our people as they expect us to do so. This budget carries the hopes of our communities that we are proudly serving and will demonstrate our commitment in ensuring that we realise our Pro Poor agenda while responding to the socio economic dynamics of this municipality.

**Fellow Councillors**, this budget is tabled after a Council Strategic Planning Session where we agreed that our main focus should be on Infrastructure related programmes. Let us therefore make this coming financial year, a year of new dawn, renewal and hope through fast tracking service delivery implementation, as the President has declared.

**Madam Speaker**, It is critical to note that our budget was formulated based on key legislation taken into consideration during compilation of the 2019/20 budget and Medium Term Revenue and Expenditure Framework (MTREF).

These are:-

- National Treasury Norms,
- Circular No. 82 of Local Government: Municipal Finance Management Act No. 56 of 2003;
- Circular 93 and 94 of 2017– as issued by National Treasury.

In preparation for this budget we have maintained our employee related costs within the National Treasury norms and our personnel expenditure is at 31% of our total budget. Our people will be excited to learn that in our quest to accelerate service delivery and improve the standard of living in this municipality, we have allocated **R143 196 104 million** for Capital Projects. Our repairs and maintenance budget is **R7 039 973 million**, Electrification budget is **R24.7 million** and construction of Municipal Offices budget is **R18 million**.

**Fellow councillors and Compatriots**, with regards to the increase of tariffs for the financial year ahead 2019/20, this budget proposes the following adjustments:-

- Tariffs of property rates (residential & business) are informed by valuation roll of which there no changes effected, therefore tariffs for property rates will remain the same for 2019/20 FY.
- Subsidy for Indigent Household for provision of alternative energy (Solar) will be subsidies at 100% as opposed to 60% subsidy in the current financial year.
- Service tariffs such as Refuse removal rates, rentals, funeral plots, pound fees, parks, building plans, trading licenses, advertising fees and tender fees will be increased based on Consumer Price Index (CPIX) 5.1% increase.

The Municipality has revised its indigent support threshold for solar from R 60.00 to 100% (R 120.00) per household. In understanding the financial situation of our people in our communities, for those who cannot afford, we once again urge them to apply and register for the indigent assistance programme. Councillors, allow me to remind the house that payment of rates can contribute positively to the increase of the municipal revenue of which that can be our mechanism to deliver quality and sustainable services to our people.

**Madam Speaker,** The total budget for this financial year 2019/20 is R476 164 003 million and the grants allocation is as follows:-

• <b>MIG</b>	-	<b>R 46 411 000.00</b>
• <b>Equitable Share</b>	-	<b>R 217 928 000.00</b>
• <b>FMG</b>	-	<b>R 1 770 000.00</b>
• <b>EPWP</b>	-	<b>R 2 512 000.00</b>
• <b>Electrification Grant</b>	-	<b>R 24 907 000.00</b>
• <b>Library Subsidy</b>	-	<b>R 650 000.00</b>
• <b>Small Town Rehabilitation</b>	-	<b>R 10 414 000.00</b>

Our revenue raising measures will be as follows:-

- Disposal of municipal residential and commercial sites at EmaXesibeni in order to target middle class and build malls & private schools to increase revenue;
- In terms of cost containment, the municipality will derive price list ceiling based on market rates and circulars issued out by Treasury;
- While we already have REVCO as our debt collector, we also want to engage external services for our data cleansing project so that our billing can be accurate.

We are further going to undertake the following economic development programmes to mention a few:-

- Ploughing of fields in all 27 wards and we've set aside a budget of R7.5 million rands
- Farmer Mentorship budget is R940 000 thousand rands

**Honourable Councillors,** on the provision of community amenities, the municipality in partnership with the department of Environmental Affairs has been allocated an amount to a tune of R10 million for the upgrade of Sophia Park wherein a clear view fencing for the whole park will be installed together with a conference facility. A business plan has been approved and an implementing agent with consultants have already been appointed.

**Madam Speaker,** in understanding the need to revive the economy of the municipality, the job creation through EPWP Infrastructure sector, Environmental and Social sector a number of jobs will be created. Currently 316 of which we will employ 100 which will total up to 436 by the end of the next financial year. On Environmental protection and Education, a Botanic Garden will be constructed in EMAXESIBENI whereby 13hacters of biodiversity area in Mt Ayliff town will be fenced and construction of gallery centre (natural vegetation centre). On Waste Management we've got an SMME Support programme on recycling where we will be converting plastic waste into pallets and plastic chairs and an amount of **R1 million** has been set aside for the project. An improvement of waste collection services where all the 1075 households in the urban settlement will be provided with three colour coded waste bins (for temporal storage of household waste before actual removal). The budget allocation for the project is R2 million.

**Madam Speaker,** we understand the socio dynamics of our communities and have set aside funds to respond to the needs of the vulnerable groups such as women, youth, children, elderly and people living with disabilities. The municipality has allocated money to a tune of R1.5 million in support of their programmes which are key in our communities.

**Fellow Councillors**, it is important to note that we were investing in fibre rollout of which cameras in both towns have been installed to fight crime, they are clear and very precise. We have hope that through the installation of these cameras there will be reduction of crime as we now have a bird's eye view on our towns. Wi-Fi will be installed in the whole town of KwaBhaca for 2019/20 FY, this means we will no longer find wifi in the libraries and parks only. An amount of R1.2 million has been allocated for this project.

**Madam Speaker and fellow councillors**, let me applaud our management for the work done in terms of implementing the adopted audit turnaround strategy and addressing findings arising from our previous year's audit outcome. The asset register has been amended as per the prior period findings of internal & external auditors. We have treated the asset register as an ongoing project which continues to be reviewed and updated as additions arise. Leading up to the submission of the Annual Financial statements for the 2018- 2019 Audit, the asset register will be submitted to Internal Audit and the Audit committee before 31<sup>st</sup> July after a thorough review process. Subsequent to that the submission will be submitted to the Auditor General to express an opinion at the end of the audit process around November 2019.

The following outlines the progress in terms of addressing forty three (43) audit findings for 2017/18 FY:-

- **Budget and Treasury Department**, Out of 27 findings, thirteen (13) have been resolved and eight (10) are not yet resolved and four (4) findings are in progress. These thirteen that are not resolved include Asset Management issues of which assets reviewal and update is in progress.
- **Municipal Manager's Office**, Out of seven (07) findings, six (06) have been resolved and one (01) is not yet resolved.
- **Infrastructure & Planning**, Out of nine (09) findings, seven (07) have been addresses and two (02) are in progress.

**Fellow Councillors**, we are still committing to drive expenditure on capital projects to **100%** in the 2019/20 financial year. Still on the subject of capital expenditure, let me highlight the challenge which was brought by the expectation of our local service providers for the **"said 30%"** share which they demanded.

We call upon communities to stop the unforeseen stoppage of projects while we engage one another to settle issues as that had resulted to the delays in implementing some of our capital projects. The municipality is committed to promoting the imperatives of the preferential procurement policy framework within the scope of the Preferential Procurement Policy Framework Act (PPPFA). The municipality has embarked on a research project that seeks to address the economical inequalities which have rendered local communities as spectators in the participation of economic gains within the municipality.

**Madam Speaker**, I will be presenting the executive committee report to the Council with the following items that need to be considered which are:-

- The adoption of the 2019/2020 IDP, after the IDP outreach was held in November 2018 to solicit ward priorities as well as to give an account of service delivery for the current year;
- The Draft Service Delivery and Budget Implementation Plan for the period 2019/2020 for noting. That Council should note that the Mayor is expected to approve the SDBIP within 28 days of approval of the Annual Budget for 2018/2019 FY.
- The application for Rezoning from Residential Zone 3 to Business Zone 1 on Erf 711 in Mount Frere for Council Approval.
- The application for Rezoning from Residential Zone 3 to Business Zone 1 on Erf 206 in Mount Frere for Council Approval
- The OTP projects planned for implementation for 2019/20 FY to be adopted by the Council.

OTP already interacted with the municipality and have met with the relevant responsible officials including technical directors and Municipal Managers. Furthermore business plans were submitted for review and approval by OTP, with the purpose of identifying, prioritizing projects and alignment of selected projects with IDP's and provincial plans.

Business Plan feedback sessions took place in 2018, which include timeframes, estimated expenditure and milestones per projects. To ensure good governance, financial accountabilities and implementation readiness, a memorandum of agreement was signed between OTP and Umzimvubu Municipality local Municipality.



**The following is the list of projects approved for implementation by the office of the premier:**

<b>Project Name</b>	<b>Amount</b>
Construction of Emaxesibeni Botanical Garden Phase 2	R2 000 000.00
Upgrading of Emaxesibeni Streetlights along the CBD area	R2 664 000.00
Design and Construction of Transport hub	R250 000.00
Surfacing of road leading to grave yard with proper drainage system and walkways	R5 500 000.00
<b>TOTAL</b>	<b>R10 414 000.00</b>

- The report on the vacancies to be declared within Corporate Services and Citizen & Community Services Departments for the positions of the Senior Managers for these two departments. The Council is further requested to approve filling of the two positions, appointment of a Selection panels to make recommendations for the appointment of candidates and that the selection panels be constituted as follows:-

Selection Panel for the appointment of a Managers directly accountable to a Municipal Manager must consist of at least three (3) and not more than five (5) members constituted as follows:

- The Municipal Manager (Chairperson)
  - A member of the Mayoral Committee or a Councillor who is the Portfolio Head of the relevant portfolio which is Councillor
  - At least one other person who is not a Councillor or staff member of the municipality and who has expertise or experience in the area of the advertised post.
- The approval of the outcomes of Performance Assessments of section 56/57 and non-section 56/57 performance contract managers and payment of such bonuses. Council should note that the report on payable performance bonuses to the qualifying Fourteen (14) municipal officials was tabled before the Audit Committee for verification.
  - To seek approval by Council on the salary increase for the Municipal Manager and Managers directly reporting to the Municipal Manager with effect from 1 July 2018 to 30 June 2019.  
The Council should note that the Municipal Manager and Senior Managers met with the remuneration committee to negotiate their salary increase.
  - The report on Donga rehabilitation that needs to be noted and accepted by the Council. An amount of R 15 million was approved by Department of Environmental Affairs (DEA) through the environmental the Environmental Protection and Infrastructure Program for Donga rehabilitation.
  - The approval of 2019/20 Final Annual Budget by the Council.
  - The Budget and Treasury Unauthorized, Irregular, Fruitless & wasteful expenditure report on all tenders awarded by the bid committees appointed from 1<sup>st</sup> July to 15 January 2019 be regularized by Council and the Irregular expenditure incurred thereof be written off through condonation by Council.
  - The Traditional Leader's Summit report, summit resolutions and Summit Declarations for adoption by Council.
  - The report on the meeting of the appointed Financial misconduct Board and to solicit approval from the Council on the recommendations of the financial misconduct board.

The following reports must be noted by the Council:-

- Progress made on "back to basics."
- The Corporate Services Department: Sound Governance Division on Secretariat activities.
- Deviation register report for the month of April 2019.
- The report on the statement of financial performance, position and the implementation of the 2018/19 budget (MFMA Section 71 Report) for the reporting month ended 30<sup>th</sup> April 2019 including supporting documentation attached as Annexure be noted and approved by Council.

**In closing**, I want to thank all councillors, Traditional Leaders and the municipal officials for all the hard work that they have done in the financial year ending in June, let us continue to work together to improve the lives of our people who have sent us to this Council for us to serve them and that will be our shared responsibility.

**I THANK YOU.....NDIYABONGA**

## Section 2 – Budget Related Resolutions

The Resolutions approved by Council with the final adoption of the annual budget in 27 March 2019 are:-

RESOLVED:-

[a] That the 2019/20 Draft Annual Budget be noted by Council:

[b] That the Draft Annual Budget of Umzimvubu Local Municipality for the financial year 2019/20; and indicative for the two projected years 2020/21 and 2021/22 be approved by council as follows:

1.1 Table A2: Budgeted Financial Performance (Expenditure by standard classification)

1.2 Table A3: Budgeted Financial Performance (expenditure by municipal vote)

1.3 Table A4: Budgeted Financial Performance (revenue by source)

1.4 Table A5: Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification and funding

1.5 Table A6: Budgeted Financial Position

1.6 Table A7: Budgeted Cash Flows

[b] The budget related policies approved for the budget year 2019/20

[c] Tariffs and charges reflected are approved for the financial year 2019/20.

## Section 3 - Executive Summary

The Municipal Finance Management Act (MFMA) require that the council must at least 90 days before the start of the budget year consider the approval of the annual draft budget, but however Circular 94 was issued as advisor to municipalities.

Most of the requirements of the MFMA concerning the budget content and documentation are in place for this budget process and were incorporated into this budget document. Major requirements of the MFMA include:

- 1) the budget must set out 'realistically anticipated revenues' for the year by each revenue source;
- 2) the budget must be generally divided between capital and operating expenditures and each must be set out by 'vote';
- 3) expenditures can only be funded by 'realistic' revenues, surplus cash carried forward and not committed to any other expenditure or borrowed funds (borrowed funds can only be used to fund capital projects).

There are many other format requirements for the budget that are too numerous to mention here, however, a complete listing can be found in section 17 of the MFMA.

The preparation of this budget document evolved the making of critical policy decisions and key strategies and policy directions that were given by the Executive Committee over the past months. A 'baseline' budgets was developed in consultation with the Executive and formed the basis for operating budget discussions. These were given to the Managers to review and revise within given guidelines. These revised baseline budgets returned by the managers then formed the basis for the final budget which is now which will be approved by the end of May 2019

The financial policies used to develop this budget are focused on making Umzimvubu is financially sustainable in the long run. We must not only have sufficient cash available to pay all the creditors that we owe as required by the MFMA but also to allow for a cash reserve to even out sporadic cash flows during the operating year.

Operational Revenues are anticipated to reach R 472 million (including currently known grants received for operational expenditures)

The Capital Budget is funded from a blend of conditional grants, limited own funds and cash carried forward from prior years. Capital expenditures for 2019/20 are estimated to total R139 Million for a variety of projects and purchases.

In preparing the budget many issues emerged that had to be taken into account. Several assumptions were utilized to produce estimates and forecasts. In addition, many policy decisions were incorporated into this budget document. The following list attempts to give the most significant of these.

### Operating Revenues

- Revenues are shown on a 'billed' (or accrual) basis where applicable. In many cases revenue billed is much higher than cash actually collected on that billing. An offsetting bad debt expense is also included to cover other services as a single amount and a separate amount to cover waste or refuse. This expense must be considered in any revenue discussion. Allocations for bad debt include the following amounts.

- Rates and other services R16,605,000

- Rates and tariffs in most cases contain proposed increases.
  - Rates 5.5% increase
  - Refuse Collection 5.5% increase
- The Equitable Share Allocation from the National Treasury is R203 million.

### **Operating Expenditures**

- Employee salaries and related expenses are increased by the level indicated by correspondence from SALGA and CPIX. This amount to a 5.5% increase in 2019/20. In addition, all positions are budgeted to be filled for the entire year. Council allowances are also budgeted to increase by 5.4% .The salary bill makes up 28% excluding councilors of the Operating budget. The vacancy rate is low and also turnaround time for filling vacant position is good, and there were four new positions which have been budgeted in this draft which were from the organogram.
- An amount of R 7,040,000 has been allocated in the operating budget for normal street maintenance and repairs.
- Grants and subsidies paid by the municipality in terms of Free Basic Services and Local Economic Development initiatives and other organizations amounts to R5.2 million

### **Capital Budget**

The capital budget reflected in this document utilizes actually anticipated revenues and cash forward to fund the budgeted expenditures of R143 million. The portion includes the MIG grant (R46 million), INEP grant (R25 million), COGTA (R10.4million) and the other portion is financed with the equitable share.

### **Other items in the operating budget**

There are various conditional grants/other funded items and programs included within the operating budget. Most of these items (amounting to some R4 million) are funded by conditional grants that specify exactly what the money can be expended on.

## **Effect of the annual budget**

The annual budget for 2019/20 to 2021/22 is disclosed in 'Section 4: Annual budget tables' and in 'Annexure 2: Supporting budget tables'. Each of the summaries sections below is discussed in more detail later on this document

For easy reference, summary tables and graphs are included here.

## **Financial performance**

### **Revenue by source**

Trends for the major revenue sources over the MTREF period is shown in the chart below, and it is also an illustration that municipality's budget is mostly funded from grants.

Umzimvubu Municipality does not only maintain but also continue to improve the quality of services provided to its citizens it needs to generate the requisite revenue. Local communities must understand that the continued generation of cash via good prudent budgeting, credible income policies and sound financial management systems is critical to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The municipality has no strategy in place and has appointed a debt collector, however has appointed service provider to map its strategy on the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which strives to ensure a 65 per cent annual collection rate for property rates and other key service charges;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and Tariff policies of the Municipality

## **Tariff implications of the annual budget**

### **Assessment rates**

The municipal property rates are levied in different categories of consumers, and the budget has a slight increase from 2019/20 financial year, this has been informed by our collection trends or actuals for 2019/20 financial year and its midyear budget performance. This will probably increase when we do an adjustment budget as we have appointed a debt collector which is performing very well.

### **Waste Management**

We had a 5.5% increase on the tariffs charged for this financial year, and we also devised other revenue mechanisms in waste management which were not implemented in the previous financial year. This still stands as the municipality is upgrading its landfill site this current financial year. We have budgeted a small increase on trading services, this is as a result of the review of the Waste Management Plan as it has to be in operation for two years.

*The budget as presented in this document meets the requirements of the MFMA and is presented to Council for approval.*

## Section 4 - Annual Budget Tables

The intention of this Section is two-fold

Firstly, the following tables form the basis of the Council resolution approving the annual budget for 2019/20:

- Table A2: Budgeted Financial Performance ( expenditure by standard classification)
- Table A4: Budgeted Financial Performance ( expenditure by municipal vote)
- Table A4: Budgeted Financial Performance ( revenue by source)
- Table A5: Budgeted Capital Expenditure for both multi-year and single year appropriations by vote, standard classification and funding

Secondly, this section presents and explains the various tables that must be compiled

EC442 Umzimvubu - Table A1 Budget

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	12,035	14,339	15,072	15,509	15,725	35,758	12,815	16,605	17,502	18,447
Service charges	1,478	701	1,159	(1,665)	4,665	4,085	692	4,342	4,577	4,824
Investment revenue	4,855	5,387	6,298	33,444	34,944	9,780	3,866	36,900	38,893	40,993
Transfers recognised - operational	177,254	175,824	179,680	197,871	198,071	262,609	147,167	318,066	376,111	355,731
Other own revenue	13,227	14,090	17,899	82,697	111,605	25,030	7,151	18,519	19,519	24,119
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>208,850</b>	<b>210,342</b>	<b>220,108</b>	<b>327,855</b>	<b>365,009</b>	<b>337,262</b>	<b>171,691</b>	<b>394,432</b>	<b>456,601</b>	<b>444,114</b>
Employee costs	55,311	56,409	63,644	75,374	74,849	84,029	37,660	84,984	94,282	99,373
Remuneration of councillors	15,437	15,563	17,644	17,758	17,758	44,886	9,810	19,534	20,589	21,700
Depreciation & asset impairment	38,395	39,017	97,496	51,000	79,000	-	-	79,504	83,797	88,322
Finance charges	1,094	-	427	-	-	-	-	-	-	-
Materials and bulk purchases	-	-	2,210	10,436	8,939	19,652	3,994	11,445	12,063	12,714
Transfers and grants	3,619	1,931	2,314	1,380	1,580	1,302	390	1,762	1,817	1,905
Other expenditure	83,830	87,350	250,997	173,092	127,479	123,174	50,659	135,740	143,070	150,795
<b>Total Expenditure</b>	<b>197,687</b>	<b>200,271</b>	<b>434,732</b>	<b>329,039</b>	<b>309,606</b>	<b>273,043</b>	<b>102,513</b>	<b>332,968</b>	<b>355,617</b>	<b>374,811</b>
<b>Surplus/(Deficit)</b>	<b>11,163</b>	<b>10,070</b>	<b>(214,625)</b>	<b>(1,185)</b>	<b>55,404</b>	<b>64,220</b>	<b>69,178</b>	<b>61,464</b>	<b>100,984</b>	<b>69,303</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	77,584	64,060	97,656	76,707	80,207	113,104	36,208	77,937	72,808	71,788
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>88,748</b>	<b>74,130</b>	<b>(116,969)</b>	<b>75,522</b>	<b>135,611</b>	<b>177,324</b>	<b>105,386</b>	<b>139,401</b>	<b>173,792</b>	<b>141,091</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>88,748</b>	<b>74,130</b>	<b>(116,969)</b>	<b>75,522</b>	<b>135,611</b>	<b>177,324</b>	<b>105,386</b>	<b>139,401</b>	<b>173,792</b>	<b>141,091</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>84,354</b>	<b>103,904</b>	<b>118,086</b>	<b>133,825</b>	<b>141,433</b>	<b>141,433</b>	<b>49,724</b>	<b>139,401</b>	<b>173,792</b>	<b>141,091</b>
Transfers recognised - capital	77,864	67,040	97,656	133,825	80,207	80,207	49,724	77,937	72,808	71,788
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	6,490	36,864	20,431	-	61,226	61,226	-	61,464	100,984	69,303
<b>Total sources of capital funds</b>	<b>84,354</b>	<b>103,904</b>	<b>118,086</b>	<b>133,825</b>	<b>141,433</b>	<b>141,433</b>	<b>49,724</b>	<b>139,401</b>	<b>173,792</b>	<b>141,091</b>
<b>Financial position</b>										
Total current assets	63,998	69,184	79,533	72,241	79,500	79,500	161,674	148,287	148,287	148,287
Total non current assets	490,392	562,338	1,229,929	104,385	61,933	939,805	1,275,441	998,702	1,087,591	1,139,195
Total current liabilities	16,629	19,488	25,485	-	-	-	62,630	32,247	32,247	32,247
Total non current liabilities	11,021	11,679	4,819	-	-	-	2,482	7,725	7,725	7,725
Community wealth/Equity	526,740	600,355	1,279,157	176,627	141,433	1,019,305	1,372,003	1,107,016	1,195,906	1,247,509
<b>Cash flows</b>										
Net cash from (used) operating	132,039	98,802	120,114	200,384	130,915	130,915	154,209	291,082	333,664	309,596

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Net cash from (used) investing	(84,354)	(99,090)	(118,377)	(133,824)	(141,433)	(141,433)	(66,149)	(139,401)	(173,792)	(141,091)
Net cash from (used) financing	(26,710)	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	46,225	45,932	47,669	112,314	35,236	35,236	133,813	197,434	357,306	525,811
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	46,220	45,932	47,669	55,000	57,880	57,880	129,019	148,287	148,287	148,287
Application of cash and investments	5,866	7,607	8,707	(4,937)	(5,986)	(12,180)	18,753	32,247	32,247	32,247
Balance - surplus (shortfall)	40,354	38,325	38,962	59,937	63,866	70,060	110,267	116,040	116,040	116,040
<b>Asset management</b>										
Asset register summary (WDV)	-	-	-	1,065,166	1,065,166	1,065,166	1,065,166	1,065,166	1,065,166	1,065,166
Depreciation	-	-	-	51,000	79,000	-	-	70,000	73,780	77,764
Renewal and Upgrading of Existing Assets	-	-	26,325	76,297	75,710	-	-	61,195	91,363	54,210
Repairs and Maintenance	-	-	1,500	4,924	5,134	-	-	7,040	7,420	7,821
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	15	15	15	15	15	15	15	15	15	15
<b>Households below minimum service level</b>										
Water:	24	24	24	24	24	24	24	24	24	24
Sanitation/sewerage:	28	28	28	28	28	28	28	28	28	28
Energy:	3	-	6	6	6	6	6	6	6	6
Refuse:	232	184	232	226	226	226	226	226	226	226

EC442 Umzimvubu - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		194,104	190,335	202,308	313,046	344,882	313,904	376,804	438,062	421,037
Executive and council		200	392	126	-	-	-	-	-	-
Finance and administration		193,904	189,943	202,182	313,046	344,882	313,904	376,804	438,062	421,037
<i>Community and public safety</i>		6,680	6,832	6,750	7,673	9,791	9,855	10,810	11,394	15,555
Community and social services		238	231	802	80	187	300	197	208	219
Sport and recreation		-	-	3	143	154	4	162	171	180
Public safety		6,442	6,601	5,945	7,450	9,450	9,552	10,450	11,014	15,155
<i>Economic and environmental services</i>		83,926	65,438	104,467	79,117	85,117	119,575	80,493	75,502	74,627
Planning and development		1,326	802	6,313	79,117	79,117	119,575	73,874	70,804	74,627
Road transport		82,600	64,636	98,154	-	6,000	-	6,619	4,698	-
<i>Trading services</i>		1,725	11,796	4,238	4,726	5,426	7,032	4,262	4,452	4,683
Waste management		1,725	11,796	4,238	4,726	5,426	7,032	4,262	4,452	4,683
<b>Total Revenue - Functional</b>	2	286,434	274,401	317,764	404,562	445,216	450,366	472,369	529,409	515,902
<b>Expenditure - Functional</b>	-									
<i>Governance and administration</i>		132,906	128,830	355,275	242,022	221,712	185,352	233,773	249,217	262,675
Executive and council		45,558	43,162	32,936	40,174	40,699	32,515	45,074	47,719	50,296
Finance and administration		87,347	85,668	315,876	194,452	174,006	145,762	181,156	193,498	203,947
Internal audit		-	-	6,464	7,397	7,007	7,076	7,543	8,000	8,432
<i>Community and public safety</i>		19,627	23,138	22,991	26,657	26,257	29,262	27,672	29,714	31,319
Community and social services		3,706	3,126	1	399	399	30	439	483	509
Sport and recreation		-	-	1	320	320	-	352	388	408
Public safety		15,921	20,012	22,989	25,938	25,538	29,232	26,880	28,844	30,402
<i>Economic and environmental services</i>		31,412	28,799	36,750	37,428	38,405	32,158	47,030	50,404	53,126
Planning and development		13,749	11,284	32,560	32,375	34,759	27,055	41,721	44,809	47,229
Road transport		17,663	17,515	4,190	5,053	3,646	5,103	5,308	5,595	5,897
<i>Trading services</i>		13,742	19,505	19,716	22,931	23,231	26,270	24,494	26,281	27,691
Waste management		13,742	19,505	19,716	22,931	23,231	26,270	24,494	26,281	27,691
<b>Total Expenditure - Functional</b>	3	197,687	200,271	434,732	329,039	309,606	273,043	332,968	355,617	374,811



Surplus/(Deficit) for the year		88,748	74,130	(116,969)	75,522	135,611	177,324	139,401	173,792	141,091
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**Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - Executive and Council		200	–	126	150	150	587	150	158	167
Vote 2 - Budget and Treasury Office		193,760	189,248	207,692	311,765	344,601	567,048	376,516	437,759	420,717
Vote 3 - Corporate Services		144	146	21,615	110	110	211	116	122	128
Vote 4 - Infrastructure and Planning Department		82,600	64,636	98,634	78,764	84,764	119,161	80,109	75,097	74,201
Vote 5 - Community Services		238	231	802	244	362	1,525	382	403	424
Vote 6 - Local Economic Development		1,326	1,353	234	353	353	414	384	404	426
Vote 7 - Public Safety		6,442	6,601	5,945	7,450	9,450	9,552	10,450	11,014	15,155
Vote 8 - Waste Management		1,725	11,796	4,238	4,726	5,426	7,032	4,262	4,452	4,683
<b>Total Revenue by Vote</b>	2	<b>286,434</b>	<b>274,011</b>	<b>339,287</b>	<b>403,562</b>	<b>445,216</b>	<b>705,531</b>	<b>472,369</b>	<b>529,409</b>	<b>515,902</b>
<b>Expenditure by Vote, to be appropriated</b>	1									
Vote 1 - Executive and Council		44,072	43,174	49,654	62,551	62,826	51,265	74,476	79,274	83,555
Vote 2 - Budget and Treasury Office		64,485	64,602	438,933	90,444	122,915	39,427	125,857	134,097	141,338
Vote 3 - Corporate Services		17,611	20,141	20,577	26,453	26,248	20,350	28,710	30,721	32,380
Vote 4 - Infrastructure and Planning Department		17,663	17,515	21,033	21,741	20,518	18,228	24,743	26,656	28,096
Vote 5 - Community Services		3,706	3,126	1,809	4,980	5,608	1,998	6,608	7,189	7,578
Vote 6 - Local Economic Development		13,749	11,284	15,037	14,700	16,900	13,665	21,200	22,554	23,771
Vote 7 - Public Safety		15,921	20,012	22,989	25,938	25,538	29,232	26,880	28,844	30,402
Vote 8 - Waste Management		13,742	19,505	19,716	22,931	23,231	26,270	24,494	26,281	27,691
<b>Total Expenditure by Vote</b>	2	<b>190,950</b>	<b>199,358</b>	<b>589,748</b>	<b>269,738</b>	<b>303,783</b>	<b>200,435</b>	<b>332,968</b>	<b>355,617</b>	<b>374,811</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>95,485</b>	<b>74,653</b>	<b>(250,461)</b>	<b>133,824</b>	<b>141,433</b>	<b>505,096</b>	<b>139,401</b>	<b>173,792</b>	<b>141,091</b>

**Table A4 – Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>	1										
<b>Revenue By Source</b>											
Property rates	2	12,035	14,339	15,072	15,509	15,725	35,758	12,815	16,605	17,502	18,447
Service charges - electricity revenue	2	–	–	–	(3,165)	3,165	–	–	3,342	3,523	3,713
Service charges - refuse revenue	2	1,478	701	1,159	1,500	1,500	4,085	692	1,000	1,054	1,111
Rental of facilities and equipment		1,508	3,270	6,427	3,069	3,334	1,547	381	3,520	3,711	3,911
Interest earned - external investments		4,855	5,387	6,298	33,444	34,944	9,780	3,866	36,900	38,893	40,993
Interest earned - outstanding debtors		2,143	2,309	2,926	1,731	4,231	8,682	1,893	1,828	1,927	2,031
Fines, penalties and forfeits		2,321	2,263	1,456	2,500	4,500	6,963	1,468	6,350	6,693	7,054
Licences and permits		2,432	2,241	2,643	2,827	2,827	813	1,342	1,830	1,929	2,033
Agency services		1,634	1,847	2,052	2,000	2,000	1,949	1,204	2,000	2,108	2,222
Transfers and subsidies		177,254	175,824	179,680	197,871	198,071	262,609	147,167	318,066	376,111	355,731
Other revenue	2	3,189	2,160	2,395	70,570	94,714	5,077	862	2,990	3,152	6,868
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>208,850</b>	<b>210,342</b>	<b>220,108</b>	<b>327,855</b>	<b>365,009</b>	<b>337,262</b>	<b>171,691</b>	<b>394,432</b>	<b>456,601</b>	<b>444,114</b>
<b>Expenditure By Type</b>											
Employee related costs	2	55,311	56,409	63,644	75,374	74,849	84,029	37,660	84,984	94,282	99,373
Remuneration of councillors		15,437	15,563	17,644	17,758	17,758	44,886	9,810	19,534	20,589	21,700
Debt impairment	3	7,936	2,880	11,640	5,000	5,000	–	–	5,000	5,270	5,555
Depreciation & asset impairment	2	38,395	39,017	97,496	51,000	79,000	–	–	79,504	83,797	88,322
Finance charges		1,094	–	427	–	–	–	–	–	–	–
Other materials	8	–	–	2,210	10,436	8,939	19,652	3,994	11,445	12,063	12,714
Contracted services		6,796	7,232	44,399	59,790	56,657	57,352	50,659	58,563	61,725	65,058
Transfers and subsidies		3,619	1,931	2,314	1,380	1,580	1,302	390	1,762	1,817	1,905
Other expenditure	4, 5	69,099	76,848	52,155	108,301	65,822	65,822	–	72,177	76,074	80,182
Loss on disposal of PPE		–	390	142,802	–	–	–	–	–	–	–
<b>Total Expenditure</b>		<b>197,687</b>	<b>200,271</b>	<b>434,732</b>	<b>329,039</b>	<b>309,606</b>	<b>273,043</b>	<b>102,513</b>	<b>332,968</b>	<b>355,617</b>	<b>374,811</b>
<b>Surplus/(Deficit)</b>		<b>11,163</b>	<b>10,070</b>	<b>(214,625)</b>	<b>(1,185)</b>	<b>55,404</b>	<b>64,220</b>	<b>69,178</b>	<b>61,464</b>	<b>100,984</b>	<b>69,303</b>

Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		77,584	64,060	97,656	76,707	80,207	113,104	36,208	77,937	72,808	71,788
Surplus/(Deficit) for the year		88,748	74,130	(116,969)	75,522	135,611	177,324	105,386	139,401	173,792	141,091

**Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Capital expenditure – Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 4 - Infrastructure and Planning Department		–	–	–	41,369	–	–	–	–	–	–
<b>Capital multi-year expenditure sub-total</b>	7	–	–	–	41,369	–	–	–	–	–	–
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive and Council		48	123	9	–	–	–	–	–	–	–
Vote 2 - Budget and Treasury Office		2,472	4,113	2,247	3,303	243	4,678	320	3,106	3,273	3,450
Vote 3 - Corporate Services		–	–	440	850	–	243	–	658	694	731
Vote 4 - Infrastructure and Planning Department		76,933	91,745	113,819	76,237	130,747	130,747	46,794	123,537	157,072	123,468
Vote 5 - Community Services		384	71	–	12,065	–	–	–	–	–	–
Vote 6 - Local Economic Development		–	–	–	–	–	–	–	4,250	4,480	4,721
Vote 7 - Public Safety		1,803	1,204	–	–	3,204	3,204	228	2,550	2,688	2,833
Vote 8 - Waste Management		677	2,808	242	–	5,184	5,184	2,373	5,300	5,586	5,888
<b>Capital single-year expenditure sub-total</b>		82,315	100,064	116,758	92,455	139,378	144,056	49,715	139,401	173,792	141,091
<b>Total Capital Expenditure - Vote</b>		82,315	100,064	116,758	133,825	139,378	144,056	49,715	139,401	173,792	141,091
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		4,559	8,076	4,025	4,153	2,298	2,298	320	3,764	3,967	4,181
Executive and council		48	123					–	–	–	–
Finance and administration		2,472	4,113	2,688	4,153	243	243	320	3,764	3,967	4,181
Internal audit		2,039	3,840	1,338		2,055	2,055	–	–	–	–
<b>Community and public safety</b>		2,186	1,275	–	12,065	3,204	3,204	–	2,550	2,688	2,833
Community and social services		384	71		12,065			–	–	–	–
Public safety		1,803	1,204			3,204	3,204	–	2,550	2,688	2,833
<b>Economic and environmental services</b>		76,933	91,745	113,819	76,237	130,747	130,747	47,031	127,787	161,551	128,189
Planning and development		381	482					15,805	4,250	4,480	4,721
Road transport		76,552	91,263	113,819	76,237	130,747	130,747	31,226	123,537	157,072	123,468
<b>Trading services</b>		677	2,808	242	41,369	5,184	5,184	2,373	5,300	5,586	5,888
Energy sources					33,000			–	–	–	–
Water management					8,369			–	–	–	–
Waste management		677	2,808	242		5,184	5,184	2,373	5,300	5,586	5,888
<b>Other</b>		–	–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure - Functional</b>	3	84,354	103,904	118,086	133,825	141,433	141,433	49,724	139,401	173,792	141,091
<b>Funded by:</b>											
National Government		77,864	67,040	97,656	133,825	76,707	76,707	49,724	77,937	72,808	71,788
Provincial Government						3,500	3,500	–	–	–	–
Transfers recognised - capital	4	77,864	67,040	97,656	133,825	80,207	80,207	49,724	77,937	72,808	71,788
Internally generated funds		6,490	36,864	20,431		61,226	61,226	–	61,464	100,984	69,303
<b>Total Capital Funding</b>	7	84,354	103,904	118,086	133,825	141,433	141,433	49,724	139,401	173,792	141,091

**Table A6 – Budgeted Financial Position**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		2,936	846	1,878	55,000	57,880	57,880	5,006	-	-	-
Call investment deposits	1	43,284	45,086	45,790	-	-	-	124,014	148,287	148,287	148,287
Consumer debtors	1	-	-	17,097	1,934	17,120	17,120	7,811	-	-	-
Other debtors		16,948	19,867	8,573	14,434	4,500	4,500	23,964	-	-	-
Current portion of long-term receivables		86	2,427	5,972				71	-	-	-
Inventory	2	745	958	222	874			809	-	-	-
<b>Total current assets</b>		<b>63,998</b>	<b>69,184</b>	<b>79,533</b>	<b>72,241</b>	<b>79,500</b>	<b>79,500</b>	<b>161,674</b>	<b>148,287</b>	<b>148,287</b>	<b>148,287</b>
<b>Non current assets</b>											
Investment property		19,962	19,962	65,025	19,962			65,025	-	-	-
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	468,216	540,070	1,162,953	82,324	60,933	938,805	1,208,382	997,596	1,086,426	1,137,967
Intangible		2,197	2,289	1,933	2,100	1,000	1,000	2,016	-	-	-
Other non-current assets		18	18	18				18	1,106	1,165	1,228
<b>Total non current assets</b>		<b>490,392</b>	<b>562,338</b>	<b>1,229,929</b>	<b>104,385</b>	<b>61,933</b>	<b>939,805</b>	<b>1,275,441</b>	<b>998,702</b>	<b>1,087,591</b>	<b>1,139,195</b>
<b>TOTAL ASSETS</b>		<b>554,391</b>	<b>631,522</b>	<b>1,309,461</b>	<b>176,627</b>	<b>141,433</b>	<b>1,019,305</b>	<b>1,437,115</b>	<b>1,146,989</b>	<b>1,235,878</b>	<b>1,287,482</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>	-										
Consumer deposits				4,612				40	-	-	-
Trade and other payables	4	16,488	19,286	20,438	-	-	-	56,253	32,247	32,247	32,247
Provisions		141	202	435				6,338	-	-	-
<b>Total current liabilities</b>		<b>16,629</b>	<b>19,488</b>	<b>25,485</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,630</b>	<b>32,247</b>	<b>32,247</b>	<b>32,247</b>
<b>Non current liabilities</b>											
Borrowing		-	-	-	-	-	-	-	-	-	-
Provisions		11,021	11,679	4,819	-	-	-	2,482	7,725	7,725	7,725
<b>Total non current liabilities</b>		<b>11,021</b>	<b>11,679</b>	<b>4,819</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,482</b>	<b>7,725</b>	<b>7,725</b>	<b>7,725</b>
<b>TOTAL LIABILITIES</b>		<b>27,650</b>	<b>31,167</b>	<b>30,304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,112</b>	<b>39,973</b>	<b>39,973</b>	<b>39,973</b>
<b>NET ASSETS</b>	5	<b>526,740</b>	<b>600,355</b>	<b>1,279,157</b>	<b>176,627</b>	<b>141,433</b>	<b>1,019,305</b>	<b>1,372,003</b>	<b>1,107,016</b>	<b>1,195,906</b>	<b>1,247,509</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		504,060	576,168	1,254,971	176,627	141,433	903,210	1,347,817	1,082,830	1,171,719	1,223,323
Reserves	4	22,680	24,186	24,186	-	-	116,095	24,186	24,186	24,186	24,186
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>526,740</b>	<b>600,355</b>	<b>1,279,157</b>	<b>176,627</b>	<b>141,433</b>	<b>1,019,305</b>	<b>1,372,003</b>	<b>1,107,016</b>	<b>1,195,906</b>	<b>1,247,509</b>

**Table A7 - Budgeted Cash Flows**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		6,927	9,907	5,817	15,509	15,725	15,725	13,535	16,605	17,502	18,447
Service charges		738	690	(259)	1,500	4,665	4,665	724	4,342	4,577	4,824
Other revenue		9,095	6,527	10,039	12,112	16,158	16,158	10,121	111,691	117,722	127,625
Government - operating	1	176,564	180,882	179,714	270,392	197,482	197,482	141,239	223,066	275,981	250,194
Government - capital	1	77,584	54,927	92,247	76,707	80,207	80,207	77,656	77,937	72,808	71,788
Interest		5,412	6,594	9,225	35,174	39,463	39,463	6,985	38,728	40,820	43,024
<b>Payments</b>											
Suppliers and employees		(139,256)	(156,437)	(176,562)	(210,080)	(221,203)	(221,203)	(93,006)	(179,525)	(193,928)	(204,401)
Finance charges		(1,094)		(107)					-	-	-
Transfers and Grants	1	(3,930)	(4,289)		(930)	(1,580)	(1,580)	(3,044)	(1,762)	(1,817)	(1,905)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>132,039</b>	<b>98,802</b>	<b>120,114</b>	<b>200,384</b>	<b>130,915</b>	<b>130,915</b>	<b>154,209</b>	<b>291,082</b>	<b>333,664</b>	<b>309,596</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	(1,106)	(1,165)	(1,228)
Capital assets		(84,354)	(99,090)	(118,377)	(133,824)	(141,433)	(141,433)	(66,149)	(138,296)	(172,627)	(139,863)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(84,354)</b>	<b>(99,090)</b>	<b>(118,377)</b>	<b>(133,824)</b>	<b>(141,433)</b>	<b>(141,433)</b>	<b>(66,149)</b>	<b>(139,401)</b>	<b>(173,792)</b>	<b>(141,091)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Payments</b>											
Repayment of borrowing		(26,710)	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(26,710)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>20,974</b>	<b>(288)</b>	<b>1,737</b>	<b>66,560</b>	<b>(10,518)</b>	<b>(10,518)</b>	<b>88,060</b>	<b>151,681</b>	<b>159,872</b>	<b>168,505</b>
Cash/cash equivalents at the year begin:	2	25,251	46,220	45,932	45,754	45,754	45,754	45,754	45,754	197,434	357,306
Cash/cash equivalents at the year end:	2	46,225	45,932	47,669	112,314	35,236	35,236	133,813	197,434	357,306	525,811

**Table A8 – Cash backed reserves/ accumulated surplus**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	46,225	45,932	47,669	112,314	35,236	35,236	133,813	197,434	357,306	525,811
Other current investments > 90 days		(5)	(0)	0	(57,314)	22,644	22,644	(4,794)	(49,147)	(209,019)	(377,524)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>46,220</b>	<b>45,932</b>	<b>47,669</b>	<b>55,000</b>	<b>57,880</b>	<b>57,880</b>	<b>129,019</b>	<b>148,287</b>	<b>148,287</b>	<b>148,287</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	5,866	7,607	8,707	(4,937)	(5,986)	(12,180)	18,753	32,247	32,247	32,247
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>5,866</b>	<b>7,607</b>	<b>8,707</b>	<b>(4,937)</b>	<b>(5,986)</b>	<b>(12,180)</b>	<b>18,753</b>	<b>32,247</b>	<b>32,247</b>	<b>32,247</b>

Surplus(shortfall)		40,354	38,325	38,962	59,937	63,866	70,060	110,267	116,040	116,040	116,040
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**Table A9 – Asset Management**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
<b>CAPITAL EXPENDITURE</b>										
<u>Total New Assets</u>	1	-	-	92,910	57,527	65,723	-	78,206	82,430	86,881
Roads Infrastructure		-	-	41,695	-	5,927	-	4,750	5,007	5,277
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	39,400	31,200	31,200	-	24,907	26,252	27,670
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	81,095	31,200	37,127	-	29,657	31,258	32,946
Community Facilities		-	-	7,291	2,977	5,372	-	14,400	15,178	15,997
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	7,291	2,977	5,372	-	14,400	15,178	15,997
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	18,000	18,000	-	28,399	29,933	31,549
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	18,000	18,000	-	28,399	29,933	31,549
Licences and Rights		-	-	380	900	900	-	1,000	1,054	1,111
Intangible Assets		-	-	380	900	900	-	1,000	1,054	1,111
Machinery and Equipment		-	-	1,434	1,950	4,124	-	3,250	3,426	3,610
Transport Assets		-	-	2,710	2,500	200	-	1,500	1,581	1,666
<u>Total Renewal of Existing Assets</u>	2	-	-	3,081	1,069	1,842	-	1,408	1,484	1,565
Roads Infrastructure		-	-	2,249	-	-	-	-	-	-
Infrastructure		-	-	2,249	-	-	-	-	-	-
Computer Equipment		-	-	347	700	905	-	500	527	555
Furniture and Office Equipment		-	-	486	369	937	-	908	957	1,009
<u>Total Upgrading of Existing Assets</u>	6	-	-	23,243	75,228	73,868	-	59,786	89,878	52,646
Roads Infrastructure		-	-	11,249	71,428	68,149	-	53,881	83,654	46,085
Solid Waste Infrastructure		-	-	5,799	-	2,450	-	-	-	-
Infrastructure		-	-	17,049	71,428	70,599	-	53,881	83,654	46,085
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	803	3,700	3,169	-	5,800	6,113	6,443
Community Assets		-	-	803	3,700	3,169	-	5,800	6,113	6,443
Heritage Assets		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	5,339	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	5,339	-	-	-	-	-	-
Licences and Rights		-	-	53	100	100	-	106	111	117
Intangible Assets		-	-	53	100	100	-	106	111	117
<u>Total Capital Expenditure</u>	4	-	-	119,234	133,824	141,433	-	139,401	173,792	141,091
Roads Infrastructure		-	-	55,193	71,428	74,076	-	58,631	88,660	51,362
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	39,400	31,200	31,200	-	24,907	26,252	27,670
Solid Waste Infrastructure		-	-	5,799	-	2,450	-	-	-	-
Infrastructure		-	-	100,392	102,628	107,726	-	83,538	114,912	79,032
Community Facilities		-	-	7,291	2,977	5,372	-	14,400	15,178	15,997
Sport and Recreation Facilities		-	-	803	3,700	3,169	-	5,800	6,113	6,443
Community Assets		-	-	8,094	6,677	8,541	-	20,200	21,291	22,441
Operational Buildings		-	-	5,339	18,000	18,000	-	28,399	29,933	31,549
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	5,339	18,000	18,000	-	28,399	29,933	31,549
Licences and Rights		-	-	433	1,000	1,000	-	1,106	1,165	1,228
Intangible Assets		-	-	433	1,000	1,000	-	1,106	1,165	1,228
Computer Equipment		-	-	347	700	905	-	500	527	555
Furniture and Office Equipment		-	-	486	369	937	-	908	957	1,009
Machinery and Equipment		-	-	1,434	1,950	4,124	-	3,250	3,426	3,610
Transport Assets		-	-	2,710	2,500	200	-	1,500	1,581	1,666
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		-	-	119,234	133,824	141,433	-	139,401	173,792	141,091
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	-	-	1,065,166	1,065,166	1,065,166	1,065,166	1,065,166	1,065,166
Roads Infrastructure		-	-	-	755,929	755,929	755,929	755,929	755,929	755,929
Storm water Infrastructure		-	-	-	35,043	35,043	35,043	35,043	35,043	35,043
Electrical Infrastructure		-	-	-	8,167	8,167	8,167	8,167	8,167	8,167
Solid Waste Infrastructure		-	-	-	11,699	11,699	11,699	11,699	11,699	11,699
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	810,837	810,837	810,837	810,837	810,837	810,837
Community Assets		-	-	-	8,278	8,278	8,278	8,278	8,278	8,278
Heritage Assets		-	-	-	18	18	18	18	18	18

Investment properties					31,805	31,805	31,805	31,805	31,805	31,805
Other Assets					183,327	183,327	183,327	183,327	183,327	183,327
Biological or Cultivated Assets										
Intangible Assets					1,396	1,396	1,396	1,396	1,396	1,396
Computer Equipment					2,101	2,101	2,101	2,101	2,101	2,101
Furniture and Office Equipment					2,999	2,999	2,999	2,999	2,999	2,999
Machinery and Equipment					1,778	1,778	1,778	1,778	1,778	1,778
Transport Assets					5,682	5,682	5,682	5,682	5,682	5,682
Land					16,947	16,947	16,947	16,947	16,947	16,947
Zoo's, Marine and Non-biological Animals										
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	-	-	1,065,166	1,065,166	1,065,166	1,065,166	1,065,166	1,065,166
<b>EXPENDITURE OTHER ITEMS</b>										
<u>Depreciation</u>	7	-	-	1,500	55,924	84,134	-	77,040	81,200	85,585
<u>Repairs and Maintenance by Asset Class</u>	3	-	-	-	51,000	79,000	-	70,000	73,780	77,764
<u>Roads Infrastructure</u>		-	-	1,500	4,924	5,134	-	7,040	7,420	7,821
<u>Storm water Infrastructure</u>		-	-	497	800	800	-	600	632	667
<u>Electrical Infrastructure</u>		-	-	-	-	-	-	-	-	-
<u>Infrastructure</u>		-	-	93	668	668	-	668	704	742
<u>Community Facilities</u>		-	-	590	1,468	1,468	-	1,268	1,337	1,409
<u>Sport and Recreation Facilities</u>		-	-	-	800	500	-	1,500	1,581	1,666
<u>Community Assets</u>		-	-	-	-	-	-	-	-	-
<u>Operational Buildings</u>		-	-	-	800	500	-	1,500	1,581	1,666
<u>Housing</u>		-	-	540	1,000	1,200	-	1,800	1,897	2,000
<u>Other Assets</u>		-	-	-	-	-	-	-	-	-
<u>Computer Equipment</u>		-	-	540	1,000	1,200	-	1,800	1,897	2,000
<u>Furniture and Office Equipment</u>		-	-	128	627	627	-	669	705	743
<u>Machinery and Equipment</u>		-	-	-	21	11	-	6	6	6
<u>Transport Assets</u>		-	-	79	1,008	1,328	-	1,798	1,895	1,997
<u>Transport Assets</u>		-	-	163	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		-	-	1,500	55,924	84,134	-	77,040	81,200	85,585

**Table A10 – Basic Services Delivery Measurement**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Household service targets</b>	1									
<u>Water:</u>										
Piped water inside dwelling		22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Piped water inside yard (but not in dwelling)		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Using public tap (at least min.service level)	2	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
<i>Minimum Service Level and Above sub-total</i>		35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Other water supply (< min.service level)	4	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
No water supply		12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
<i>Below Minimum Service Level sub-total</i>		24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
<b>Total number of households</b>	5	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000
<u>Sanitation/sewerage:</u>										
Flush toilet (with septic tank)		19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
<i>Minimum Service Level and Above sub-total</i>		19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Bucket toilet		27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
No toilet provisions		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<i>Below Minimum Service Level sub-total</i>		28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
<b>Total number of households</b>	5	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000
<u>Energy:</u>										
Electricity (at least min.service level)		200	-	200	200	200	200	200	200	200
Electricity - prepaid (min.service level)		18,683	-	22,346	22,346	22,346	22,346	22,346	22,346	22,346
<i>Minimum Service Level and Above sub-total</i>		18,883	-	22,546	22,546	22,546	22,546	22,546	22,546	22,546
Other energy sources		3,000	-	6,000	6,000	6,000	6,000	6,000	6,000	6,000
<i>Below Minimum Service Level sub-total</i>		3,000	-	6,000	6,000	6,000	6,000	6,000	6,000	6,000
<b>Total number of households</b>	5	21,883	-	28,546	28,546	28,546	28,546	28,546	28,546	28,546
<u>Refuse:</u>										
Removed at least once a week		8,365	7,665	8,465	14,597	14,597	14,597	14,597	14,597	14,597
<i>Minimum Service Level and Above sub-total</i>		8,365	7,665	8,465	14,597	14,597	14,597	14,597	14,597	14,597
Removed less frequently than once a week		3,358	3,258	3,415	7,488	7,488	7,488	7,488	7,488	7,488
Using communal refuse dump		625	383	633	56,695	56,695	56,695	56,695	56,695	56,695
Using own refuse dump		161,152	161,152	161,152	103,317	103,317	103,317	103,317	103,317	103,317
Other rubbish disposal		1	-	3	3	3	3	3	3	3

No rubbish disposal		66,809	19,162	66,642	58,210	58,210	58,210	58,210	58,210	58,210
<i>Below Minimum Service Level sub-total</i>		231,945	183,955	231,845	225,713	225,713	225,713	225,713	225,713	225,713
Total number of households	5	240,310	191,620	240,310	240,310	240,310	240,310	240,310	240,310	240,310
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Electricity (kwh per household per month)				4,155,000	4,155,000	4,155,000	4,155,000	4,155,000	4,155,000	4,155,000
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) ( impermissable values per section 17 of MPRA)		15	15	15	15	15	15	15	15	15
Total revenue cost of subsidised services provided		15	15	15	15	15	15	15	15	15

## PART 2 – SUPPORTING DOCUMENTATION

### Section 5 – Overview of annual budget process

#### Annual Planning Process

Budget planning follows a number of processes to enable us to achieve the final position. The starting point is obviously the IDP and it should be noted that this is the first IDP of the current IDP cycle.

The operating budget for 2019/20 has been driven totally on the premise of consumer affordability, as the municipality has a number of indigents. This budget was compiled based on the strategic meeting held after the appraisal of the first six months performance of the 2018/19 financial year, and was presented to the Executive Mayoral Committee this year regarding the rate and tariff increases

This budget has concentrated on delivering previously agreed priorities and projects and completing and implementing these timeously. There is therefore little that is new in the process.

#### Budget Process 2019/20

The budget process followed the requirements of the MFMA. The budget timetable and major deadlines as approved by the Mayor in terms of section 21(1) (b) of the MFMA were followed,

A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2017, which the draft annual budget tabled by 31 March 2019; and the final annual budget will be tabled by the 31 May 2019 section 24 MFMA; however Circular 85 gave guidance to municipalities in preparation of the draft.

Date	Ward No.	Ward Councillor	Venue	Locality	Time
Day 1 15 <sup>th</sup> April 2019	1	Cllr. FJ Hem	Sonwabile Community Hall	EmaXesibeni - Mount Ayliff	11H00
	2	Cllr. M Ntsevu	Lubaleko Community Hall	EmaXesibeni - Mount Ayliff	11H00
	3	Cllr. AP Mkhonto	Msukeni Community Hall	EmaXesibeni - Mount Ayliff	11H00
	4	Cllr. NV Nomaqaqa	Betshwana Community Hall	EmaXesibeni - Mount Ayliff	11H00
	5	Cllr. S Sifolo	Siroqobeni Community Hall	EmaXesibeni - Mount Ayliff	11H00
	6	Cllr. N.C. Tshayisa	Mbumbazi Community Hall	EmaXesibeni - Mount Ayliff	11H00
	7	Cllr. SS Dangisa	EmaXesibeni Town Hall	EmaXesibeni - Mount Ayliff	<b>18H00</b>
	8	Cllr. T Sokhanyile	Lugelweni Community Hall	EmaXesibeni - Mount Ayliff	11H00
	9	Cllr. M Mqulwane	Saphukanduku High School	EmaXesibeni - Mount Ayliff	11H00
Day 2 16 <sup>th</sup> April 2019	10	Cllr. P Makhinzi	Nophoyi Multi-purpose Centre	KwaBhaca - Mount Frere	11H00
	11	Cllr. N Gogela	Rhode Community Hall	KwaBhaca - Mount Frere	11H00
	12	Cllr. GV Lugongolo	Nophoyi Multi-purpose Centre	KwaBhaca - Mount Frere	11H00
	13	Cllr. CL Noqhakala	Lwandlana Community Hall	KwaBhaca - Mount Frere	11H00
	14	Cllr. TV Hlazo	Huku Community Hall	KwaBhaca - Mount Frere	11H00
	15	Cllr. CN Mnyayiza	Lugangeni Community Hall	KwaBhaca - Mount Frere	11H00
	16	Cllr. B Majalamba	Extension 7 Community Hall	KwaBhaca - Mount Frere	11H00
	17	Cllr. S Mankanku	Nqantosi JSS	KwaBhaca - Mount Frere	11H00
	18	Cllr. A Mgangatho	KwaBhaca Town Hall	KwaBhaca - Mount Frere	<b>18H00</b>
Day 3 17 <sup>th</sup> April 2019	19	Cllr. EN Ngalonkulu-Lebelo	Zimbileni Community Church	KwaBhaca - Mount Frere	11H00
	20	Cllr. T Nomkuca	Dangwana Community Hall	KwaBhaca - Mount Frere	11H00
	21	Cllr. FN Ngonyolo	J.D. Majova Community Hall	KwaBhaca - Mount Frere	11H00
	22	Cllr. SO Madlanga	Lusizini Community Hall	KwaBhaca - Mount Frere	11H00
	23	Cllr. NH Kolweni	Mpondomise Pre-School	KwaBhaca - Mount Frere	11H00
	24	Cllr. M Jolobe	Eziblorhweni Community Hall	KwaBhaca - Mount Frere	11H00
	25	Cllr. AN Zongiwe	Galile Community Hall	KwaBhaca - Mount Frere	11H00
	26	Cllr. M Tuku	Zwelijikile Hall	EmaXesibeni - Mount Ayliff	11H00
	27	Cllr. NS Soldat	Mpendla Community Hall	KwaBhaca - Mount Frere	11H00



## **Section 6 – Overview of alignment of the annual budget with the Integrated Development Plan**

### **Introduction**

Municipalities are required to develop five year Integrated Development Plans which must be reviewed annually. It is also required that such plans must find expression in the budget. The IDP and Budget are inter-related documents. The IDP is the budget in words, just as the budget is IDP in figures. In the past years comprehensive efforts have been made towards ensuring that the two documents are closely link.

Umzimvubu's vision: To be the best run Municipality in South Africa

Umzimvubu's mission: To properly plan and deliver quality and sustainable services to improve the socio-economic status within the broader Umzimvubu community

### **Key challenges facing Umzimvubu**

#### **1. Sustainable Infrastructure**

The rapid growth of the municipality has put a lot of pressure on the areas' infrastructure. Infrastructural needs are growing at an unprecedented rate which the municipality is struggling to match.

#### **2. The challenge of promoting Local Economic Development**

The need for the diversification of local economy through facilitation the emergency of previous underperforming sectors is an important catalyst for economic development. Our Local Economic Development strategy focuses on mainstreaming the previously disadvantage people. Crucial to this will be the need to work in partnership with relevant stakeholders in boosting employment and fostering SMMEs. The municipality hosts number of events which are to enhance tourism and also improve quality of the SMMEs.

#### **3. The challenge of ensuring municipal viability**

The municipality lives and dies by its ability to balance needs with resources. Umzimvubu cannot generate sufficient resources to properly satisfy all needs. Therefore those needs will have to be managed and dealt with in a financially sustainable manner.

#### **4. The challenge of municipal transformation and institutional development**

Staff development is a crucial to meet the challenges of Umzimvubu. The Employment Equity imperatives have to be assessed continual to ensure the Umzimvubu Municipality's transformation agenda of South Africa.

#### **5. Public Participation**

Public Participation is an important feature of any democratic environment. Although the legislative environment provides adequately for public participation, Umzimvubu Municipality is a challenged to ensure that it continues to build on its successes over the last few years

## **Section 7 – Measurable performance objectives and indicators**

The list below are financial indicators and ratios:

- Borrowing management
- Safety of capital
- Liquidity
- Debtors' and creditors' management
- Mix of expenditure types
- Mix of revenue sources
- Unaccounted for losses in respect of services rendered

It is not the intention to go through each of the various indicators etc., but merely to highlight the fact that National Treasury now has the ability to monitor a budget with a cursory glance. These indicators are taken in conjunction with specifically to afford National Treasury the ability to monitor and take reasoned view on financial position of a municipality and in so doing them can either support the Council's approval of the budget.

### **Challenges**

The challenges, as mentioned, are for capital funding to provide the additional community facilities and access roads to meet the growth of Umzimvubu and its infrastructure.

Grant funding is used and also portion of equitable share, the management is seeking funding in all avenue to have infrastructure as to pave a way for Local Economic Development, as LED is the priority of the municipality

## **Section 8 – Overview of budget related policies**

The detailed policies themselves are not included in this section of the budget documentation

Policies are also available at the Council offices in 813 Main Street for viewing as well as on the internet at [www.umzimvubu.gov.za](http://www.umzimvubu.gov.za). This section gives a broad overview of the budget policy framework and highlights the amended policies to be approved by Council resolution

## Section 9 – Overview of budget assumptions

### Introduction

#### Budget Assumption

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumption need to be made about internal and external factors that influence the budget. The section provides a comprehensive summary of the assumptions used in preparing the budget.

The budget is promised on a 80% payment level. This is in line with all our trends in the last 18 months and reflects similar outcome as at June 2017. This is below as compared to the outcomes of previous years.

#### External factors (population migration, employment, etc)

Over the recent years Umzimvubu has experienced rapid population growth although the census report states that there is a decrease. This must be seen as against the backdrop of developable land, a sensitive environment and a lack of new jobs being created in the local economy. This presents a serious challenge to Council to improve the efficiency of its systems.

The fact is that the population is growing faster and we have limited resources for service delivery and unemployment demands.

#### General inflation outlook and its impact on the municipal activities

The headline CPI forecast for 2019, 2020 and 2021 are 5.5%, 5.4% and 5.3% respectively. The growth parameters apply to tariff increases for property rates, user and charges raised by municipalities; this is to ensure that all spheres of government support the national macroeconomic policies. Any increase that is above the forecast must be fully communicated to the community.

#### Rates, tariffs, charges and timing of revenue collection

	<b>Budget 2019/20 R '000</b>	<b>Indicative 2020/21 R '000</b>	<b>Indicative 2021/22 R '000</b>
Rate	16,605,000	17,502,000	18,447,000
Refuse	1,000,000	1,054,000	1,111,000

#### Collection rates for each revenue source and customer type

The Municipality has in place a fair rigorous credit control policy and has not been implement fully. Furthermore, its policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the municipal debt.

It is a fact that there will always be an element of the total amount billed that will remain uncollected. The municipality is the same as any other business in this regard. Provision has to be made in the budget for any bad debts based on assumptions on collection rates

	<b>Budget 2019/20 R '000</b>	<b>Indicative 2020/21 R '000</b>	<b>Indicative 2021/22 R '000</b>
Provision for bad debts Table A4: Debt impairment	5,000,000	5,270,000	5,559,850

*Trends in demand for free or subsidised basic services*

Umzimvubu's criteria for supporting free or subsidised basic services are set out in the indigent support policy. The Government allocates revenue via the Division of Revenue Act (DORA) in the form of Equitable Share Grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services. Any costs over and above the equitable share are met by the Municipality.

	<b>Budget 2019/20 R '000</b>	<b>Indicative 2020/21 R '000</b>	<b>Indicative 2021/22 R '000</b>
Cost of free basic services	3,000,000	3,174,000	3,358,000
Revenue cost of free services and all other rebate provided	1,380,000	1,454,520	1,534,518

*Impact of national, provincial and local policies*

Umzimvubu sees itself as working in partnership with national, provincial and district municipality spheres of Government in meeting the priority service needs of its people

## **Section 10 – Overview of budget funding**

### **Funding the Budget**

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17

Achievement of this requirement in totality effectively means that a Council has 'balance' its budget by ensuring that budgeted outflows will be offset by a combination of inflows. Refer to Section 4 and 'Supporting Table SA10: Funding measurement'

### **Fiscal Overview of Umzimvubu Municipality**

There is a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management for the past three years the municipality received a qualified audit opinion from Auditor General. Umzimvubu municipality cannot afford salaries that are prerequisite to GRAP. There is already a lack of qualified accountants in South Africa and the complexities that are GRAP in local government are such that in rural municipalities it is highly unlikely that qualified accountants are going to work at the salaries on offer internally and Umzimvubu, however with the little we have we are striving to achieve the clean administration by COGTA.

### **Long term financial planning**

The moderate growth of Umzimvubu coupled with the migration of people to the area has increased service delivery challenges for municipality. Financial management and budget planning is sound, but it has to be managed within narrow financial parameters given the challenges

and limited financial resources. Umzimvubu municipality is funding its capital expenditure by grants and a very small portion internal funding, however the municipality has managed to secure a DBSA loan for electricity generation.

## **Section 11 - Expenditure on allocations and grant programmes**

Disclosure on expenditure on allocation and grant programmes is done by way of Annexure ....., "Supporting Table SA18: Transfers and grants receipts, Supporting Table SA19: Expenditure on transfers and grant programme and Supporting Table SA20: Reconciliation of transfers, grant receipts and unspent funds"

## **Section 12 - Allocations and grants made by the Municipality**

Any allocation made to an outside body must comply with the requirements of section 67 of MFMA. This stipulates that before transferring funds to an outside organisation the Municipal Manager, as Accounting Officer, must be satisfied that the organisation or body has the capacity to comply with the agreement and has adequate financial management and other systems in place

## **Section 13 – Councillor Allowances and employee benefits**

'Supporting table SA22: Summary councillor and staff benefits and 'Supporting Table SA23: Salaries, allowances and benefits (political office bearers/ councillors/senior managers).

Umzimvubu municipality's councillors' allowances are paid at a grade 3, and an increment of 6.5% has been effected on this 2019/20 budget. The budget for councillors' allowances has increased as the number of councillors has increased from 54 to 65 because of the incorporation of Traditional leaders.

Umzimvubu has employed 240 employees in order to carry out service delivery.

## **Section 14 – Monthly targets for revenue, expenditure and cash flow**

Disclosure on monthly targets for revenue, expenditure and cash flow in the following Supporting Tables

### **Monthly operating budget revenue and expenditure projections**

'Table SA25: Budgeted monthly revenue and expenditure' reflects consolidated projections of revenue by source and expenditure by type for the budget year broken down for the budget year, and shown in total for the following two years

'Table SA26: Budgeted monthly revenue and expenditure (municipal vote)' and 'Table SA27 Budgeted monthly revenue and expenditure (standard classification)' reflect revenue and expenditure broken down per month for the budget year, and shown in total for the following two years.

### **Monthly capital budget revenue and expenditure projections**

'Table SA28: Budgeted monthly capital expenditure (municipal vote)' and 'Table SA29: Budgeted monthly capital expenditure (standard classification)' shows capital expenditure broken down per month for the budget year, and shown in total for the following two years

### **Monthly cash flow projections**

'Table SA30: Budgeted monthly cash flow' set up receipts by source or payments by type both operating and capital, broken down per month for budget year, and shown in total for the following two years

## **Section 15 – Annual budgets and service delivery and budget implementation plans – internal departments**

### **Adoption of the Service Delivery and Budget Implementation Plan**

In terms of section 53(1)(c)(ii) of the MFMA and the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 28 days after the final approval of the budget.

### **Contents of the SDBIP**

The SDBIP must contain monthly projections of income and expenditure and quarterly projections of measurable performance objectives.

### **SDBIP requirements**

The SDBIP is essentially a business plan and is an integral part of the financial planning process. Although its approval is required after the budget, its preparation occurs in tandem with the budget process. The SDBIP is the connection between strategic planning, IDP, budget and management performance agreements, and includes detailed information on how the budget will be implemented, by means of forecast cash flows and service delivery targets and performance indicators.

National and Provincial Government refer to five national KPAs they regard as essential to Local Authorities meeting their responsibilities these are:

1. Institutional Development and Transformation
2. Municipal Financial Viability and Management
3. Good Governance and Public Participation
4. Basic Service Delivery
5. Local Economic Development

## **Section 16 – Annual budgets and service delivery agreements – municipal entities and other external mechanisms**

'Table SA31 municipal entities' the table shows that the municipality doesn't have entities

Table SA32: List of external mechanism' the municipality doesn't have service delivery contracts.

## **Section 17 - Contracts having future budgetary implications**

'Supporting Table SA: Contract having future budgetary implications' Annexure 2 discloses all contracts which will impose financial obligations on the municipality beyond the three years covered in the annual budget. Since Umzimvubu falls in a category of municipalities with approved revenue of R300million, have no contracts beyond the three years covered in the annual budget.

## Section 18 – Capital expenditure details

Capital details are shown in the Annexure....

- 'Supporting Table SA6: Reconciliation of IDP strategic objectives and budget ( capital expenditure)
- 'Supporting Table SA34a: Capital expenditure on new assets by asset class'
- 'Supporting Table SA34b: Capital expenditure on the renewal of existing assets by asset class'
- 'Supporting Table SA24c Repairs and maintenance expenditure by asset class'
- 'Supporting Table SA36: Detailed capital budget'

## Section 19 – Legislation compliance status

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities including the progress made or delays experienced in implementation

### Municipal Finance Management Act – No 56 of 2003

The MFMA became effective on 1<sup>st</sup> July 2004. The Act modernises budget and financial management practises within the overall objective of maximising the capacity of municipalities to deliver services.

The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according designated financial management capacity of municipalities. Umzimvubu has been designated as medium capacity municipality. The MFMA the foundation of municipal financial management reforms which municipalities are implementing.

### The MFMA and the budget

The following explains the budgeting process in terms of the requirement in the MFMA. It is based on the National Treasury Budget Regulations.

#### The budget preparation process

*The mayor must lead the budget preparation process through a coordinated cycle of events that commences at least ten months before the start of each financial year.*

#### Overview

The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, are linked to, the municipality's current and future development priorities and other finance related policies ( such as those relating to free basic provision)

These budget must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow,

particulars of borrowings, investments, municipal entities, services delivery agreements, grants allocations and employment costs.

The budget must be funded only from reasonable estimates of revenue and cash backed surplus funds from previous year and borrowing (the borrowings are only for capital items)

#### Budget preparation timetable

The budget preparation time table is prepared by senior management and tabled by Mayor for council adoption on 31 August (ten months before the commencement of the next budget year)

#### Budget preparation and review of IDP and policy

The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget related policy, with the assistance of the municipal manager.

The Mayor must ensure that the IDP review forms and integral part of the budget process and that any changes to strategic priorities as contained in the IDP have realistic projections of revenue and expenditure. In developing the budget, the management has to take account the National and Provincial, the National fiscal and macro-economic policy. The Mayor must consult with the district Council and all other local municipalities within the district as well as the relevant provincial treasury and other government departments.

#### Tabling of the Annual budget

The initial final budget must be tabled by the Mayor before Council for review by 31 May 2017.

#### Publication of the Annual budget

One tabled at council, the Municipal Manager must make public the appropriate budget documentation and submit it with National Treasury, the relevant Provincial Treasury. And other departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

#### Opportunity to comment on the Annual budget

When the draft is tabled, Council must consider the views of local community, NT, PT other municipalities and government department that may have made submission on the budget.

#### Opportunity for the revision to Annual budget

After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council consideration. Following the tabling of Annual budget at the end of May, the months of April and May should be used to accommodate public and government comment and make any revision that may be necessary. This may take form of public hearing, Council debates, formal and informal delegations to the National treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholders priorities

#### Adoption of the annual budget

Council must consider the approval of the budget thirty day before the start of the budget year.



## **BUDGET IMPLEMENTATION**

### Implementation management – the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must within 14 days of the approval of annual budget submit to the Mayor for approval SDBIP and annual performance agreements for all pertinent senior staff.

An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly services delivery targets and performance indicators.

Mayor must approve the SDBIP within 28 days of the approval of annual budget (by 28 July at the latest)

This plan must then be monitored and reported by the Mayor to council on a regular basis.

### Managing then implementation process

The municipal manager is responsible for the implementation the budget and must take steps to ensure that all spending in accordance with the budget and that revenue and expenditure is properly monitored.

### Variation from budget estimates

Generally, Council may incur expenditure only if it's in terms of the approved budget, within the limits of the amount amounts appropriated against each vote – and in case of capital expenditure, only if council has approved the project.

Expenditure incurred outside of the above parameters may be considered to be unauthorised or, in some cases, irregular or fruitless or wasteful.

Unauthorised expenditure must be reported and may result in criminal proceedings.

### Revision of budget estimates – adjustment budget

It may be necessary on occasion for council to consider a revision of its original budget, owing to material and significant changes in revenue collections, expenditure patterns, or forecast thereof for the remainder of the financial year

In such cases the municipality may adopt an adjustment budget, prepared by the municipal manager and submitted to the Mayor for consideration and tabling at a council for adoption.

The adjustment budget must contain certain prescribed information, it may not result in further increases in taxes and tariffs and it must contain certain appropriate justifications and supporting material when approved by council.

## **Requirements of MFMA relating to annual budget and supporting documentation**

Section 17 of the MFMA stipulates that annual budget of the municipality must be a schedule in prescribed format and sets out what must be included in that format. The various tables detailed in Section 4 and those additionally attached comply with the requirements

## **Other Legislation**

In addition to the MFMA, the following legislation also influences Municipality's budgeting;

### The Division of Revenue Bill 2019 and Provincial Budget Announcements

Three year national allocation to local government are published per municipality each year in the Division of Revenue Act. The Act place duties on municipalities in additions to requirements of MFMA, specifically with regard to reporting obligations. Allocations to municipality from Provincial Treasury are announced and published in the Provincial budget. Section 18 of the MFMA states that annual budgets may only be funded from reasonable anticipated revenues to be collected. The provision in the budget for allocation from National and Provincial Government should reflect the allocations announced or published in the DORA or in the relevant Provincial Gazette.

### The Municipal Systems Act – No 32 of 2000 and Municipal Systems Amendment Act – No 44 of 2003

One of the key objectives of the MSA is to ensure financially and economically viable communities. The requirement of the Act link closely to those of MFMA. In particular, the following requirements need to be taken to consideration in the budget process;

- Chapter 4 and 5 relating to community participation and the requirements for the Integrated Development Plan process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy

## **Section 20 – Other supporting documents**

Various supporting documents are attached to enable the reader a full understanding of various processes involved. These are the following:

### **Annexure 1 – Main Budget Tables**

*Tables A1 to A10*

### **Annexure 2 – Supporting Budgets Tables**

*Supporting Tables SA1 to SA37*

### **Annexure 3 – Tariffs, Charges and Fees for 2019/20**

### **Annexure 4**

*Municipal Budget Circular for the 2019/20 MTREF – MFMA Circular 94*

### **Annexure 5**

*Process Plan 2019/120*

### **Annexure 6 – Budget Related Policies**